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THE OUTLOOK FOR ARGENTINA

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 12 November 1957. Concurring were The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Assistant Chief of Staff, Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE OUTLOOK FOR ARGENTINA

THE PROBLEM

To re-estimate the prospects for a return to an elected government on schedule in May 1958. (In NIE 91-56, *The Outlook for Argentina*, 17 July 1956, we had estimated these prospects to be "slightly better than even.")

CONCLUSIONS

1. The current regime under General Aramburu still intends to hold elections in February and to relinquish its power in May 1958. However, it is likely that the political situation will deteriorate measurably under the stresses and strains of the electoral period. In this atmosphere, there is a good chance that military elements will become increasingly concerned over the apparent ineptitude of political party leadership, over the deteriorating economic situation, over the uncertainty of the electoral outcome, and over labor unrest and Peronist subversive activity, and that consequently these military elements may act

to alter present political plans. Nevertheless, we believe there is an even chance that majority popular and military sentiment for a return to constitutional government will enable Aramburu to hold elections as scheduled. However, if the elections take place and their outcome is unsatisfactory to key military elements, there is a better than even chance that the military would move to upset the election results.

2. In any event, without substantial foreign assistance, the economic situation seems likely to get worse and thus add to the problems of political stability.

DISCUSSION

3. *The Political Situation.* An increasing number of difficult political problems confront the Aramburu regime as it prepares for a return to constitutional government. In July a

Constituent Assembly was elected for revision of the 1853 Constitution. The elections failed to produce a clear indication as to the probable outcome of the 1958 general elections now

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scheduled for February.¹ The popular vote was about evenly split between the pro-government forces and the opposition. Moreover, political party leadership does not appear sufficiently concerned with, or capable of handling, the difficult economic and political situation which will face a successor government. Furthermore, divisions within the two leading parties (the People's Radical Civic Union (UCRP) and the Intransigent Radical Civic Union (UCRI)) are contributing to general uncertainty about the electoral outcome and the capabilities of either to head a viable successor government. The seriously split UCRP finds its principal cohesive force in its factions' common opposition to Arturo Frondizi, leftist and nationalist leader of the UCRI. The UCRI is divided between leftist elements and members of more moderate orientation who might defect to the UCRP should Frondizi obtain the Peronist support which he seeks.

4. The Constituent Assembly, which broke down prior to its official date of termination, has adopted practically none of the basic reforms proposed by the government and done little more than revalidate the 1853 Constitution with minor modifications. Although this performance highlights the inability of political leaders to work together in a demanding situation, it does not preclude the transfer of power to an elected government. Further-

Constituent Assembly Election Results:		% of total vote
<u>Pro-Government:</u>	Peoples Radical Civic Union (UCRP)	25
	Minority Parties	25 (est.)
<u>Opposition:</u>	Intransigent Radical Civic Union (Frondiziled UCRI)	21.5
	Minority Parties	3.5 (est.)
	Blank Vote (largely Peronist-inspired)	25

more, the Assembly's inaction spared the government the embarrassment of all out public debate over controversial issues.

5. *The Economic Situation.* The Aramburu regime has had scant success in trying to overcome its serious economic problems. Agricultural production for export has decreased. The service sector of the economy has witnessed little significant development, and foreign private investment has increased only slightly. Argentina's financial position shows little improvement, although the government has reduced its anticipated 1957 balance of payments deficit from \$210 million to \$75 million, principally by seeking extensive credits. Dollar reserves have dropped substantially and now amount to only about \$38 million. The government has already had to dip heavily into its gold reserves, now reduced to \$126 million. Thus, the regime will leave a legacy of heavy debt and depleted reserves to any successor government.

6. In recent months serious domestic inflation has virtually wiped out benefits from 1956 wage increases and brought intensified pressures from labor groups for wage boosts. In its attempt to restrain inflationary tendencies, the regime froze wages through February 1958. General labor dissatisfaction erupted in September and again in October of this year in the form of Peronist-dominated general strikes. Aided by the fact that most non-Peronist unions refused to follow Peronist leadership, the government was able to control both strikes. Nevertheless, labor unrest is likely to increase in view of the accelerated rise in the cost-of-living and the government's continued refusal to grant desired wage boosts.

7. *The Attitude of the Military.* The survival of the present regime still depends upon the support of the armed forces. The majority of the military still appear to accept the prospect of general elections as scheduled. While there is a small group which favors postponement of elections and continuance of the military in power, there is as yet no firm evidence that any military group is strong enough to interfere with the regime's plan. Controversy and division within the military over appointments and over the regime's policies are con-

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tinuous. However, we believe that the resolve of certain powerful military elements to permit transfer of power may have been weakened by dissatisfaction with the current situation and fear that an acceptable and effective successor government will not emerge.

8. *Prospects.* The current regime under General Aramburu still intends to hold elections in February and to relinquish its power in May 1958. However, it is likely that the political situation will deteriorate measurably under the stresses and strains of the electoral period. In this atmosphere, there is a good chance that military elements will become increasingly concerned over the apparent ineptitude of political party leadership, over the deteriorating economic situation, over the un-

certainty of the electoral outcome, and over labor unrest and Peronist subversive activity, and that consequently these military elements may act to alter present political plans. Nevertheless, we believe there is an even chance that majority popular and military sentiment for a return to constitutional government will enable Aramburu to hold elections as scheduled. However, if the elections take place and their outcome is unsatisfactory to key military elements, there is a better than even chance that the military would move to upset the election results.

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